

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 EA-11 NEA-10 ISO-00 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14 SCEM-02

EB-11 INT-08 COME-00 SCI-06 OMB-01 TRSE-00 SAJ-01

DRC-01 /197 W

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R 041729Z DEC 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5213

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION USNATO

AMEMBASSY BEIRUT

USINT ALGIERS

AMEMBASSY TRIPOLI

AMEMBASSY JIDDA

C O N F I D E N T I A L PARIS 31023

BEIRUT POUCH BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, FR

SUBJECT: NEGOTIATING DIRECT OIL PURCHASES

REF: PARIS 30562

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1. THERE ARE INCREASING INDICATIONS THAT GOF IS NEGOTIATING WITH

ARAB OIL EXPORTING GOVERNMENTS FOR SUPPLIES DESIGNED TO COMPENSATE FRANCE FOR ANY SHORTFALL IN SUPPLIES MADE AVAILABLE BY INTERNATIONAL OIL COMPANIES.

2. PM MESSMER, IN DEC. 1 SPEECH TO GAULLIST PARTY, INDICATED HIGH-LEVEL GOF ATTENTION WAS BEING FOCUSED ON ROLE OF INTERNATONAL OIL COMPANIES IN SUPPLYING CONSUMER MARKETS. QUESTIONING THE PRESENT ABILITY OF COMPANIES TO ACT AS CONSUMERS' ADVOCATES (PARTICULALY FOR FRANCE, FOR WHICH NONE OF THE MAJOR OIL COMPANIES SPEAKS), MESSMER SUGGESTED THAT TIME HAD COME FOR DIRECT STATE-TO-STATE DEALINGS BETWEEN OIL PRODUCERS AND CONSUMERS.

3. WHILE THIS IS OLD FRENCH AND PARTICULARLY GAULLIST LINE (EVEN THOUGH IT HAS BEEN SOMEWHAT MUTED FOLLOWING GOF'S BAD EXPERIENCE IN GOVERNMENT-TO-GOVERNMENT OIL DEALINGS WITH ALGERIA, IT IS PARTICULARLY RELEVANT NOW. GOF IS CURRENTLY ENGAGED IN STRENUOUS EFFORT TO PRESS OIL COMPANIES OPERATING HERE TO DELIVER UP TO FULL AMOUNTS FORESEEN BEFORE ARAB OIL CUTBACK, AND IS TELLING COMPANIES THAT IT "CANNOT ACCEPT" THEIR STATED INTENTIONS TO REDUCE SUPPLIES 10-15PERCENT STARTING IN JANUARY. ARGUMENT BEING USED BY GOF OFFICIAL S (AND WHICH APPARENTLY REFELCTS HIGH-LEVEL GOF THINKING) IS THAT REWARDS FOR GOF'S POLICY OF FRIENDSHIP FOR ARABS--I.E. SUPPLIES--SHOULD NOT BE TAKEN AWAY BY OIL COMPANIES. AT SAME TIME, HOWEVER, GOF IS AWARE THAT IT CANNOT EXPECT TO GAIN APPRECIABLY GREATER OIL SUPPLIES FROM MAJOR COMPANIES BY PRESSURE ON THEIR FRENCH SUBSIDIARIES. QUESTION THEN FOR GOF IS, WHERE CAN IT TRY TO GET OIL SUPPLIES WHICH IT HAS TOLD FRENCH PUBLIC THEY CAN CONTINUE TO EXPECT?

4. OVER LAST WEEK, WE HAVE NOTED NUMBER OF HINTS DROPPED BY WELL-INFORMED JOURNALISTS THAT GOF MIGHT BE NEGOTIATING DIRECTLY WITH ARAB OIL SUPPLIERS. VISITS OF YAMANI AND ABDESELAM, FOLLOWED BY PM MESSMER'S REMARKS, HAVE BROUGHT THESE TO FRONT AND LOCAL PRESS IS NOW SPECULATING OPENINGON POSSIBILITIES FOR SUCH DEALS. POSSIBLE PARTNES ARE MENTIONED TO BE SAUDI ARABIA, LYBIA, ALGERIA AND IRAQ (FROM WHICH WE UNDERSTAND FROM COMPANY SOURCES THAT CFP IS NOW LIFTING LARGE SHARE OF NATIONALIZED BASRA CRUDE). SHOULD GOF OBTAIN CRUDE SUPPLIES IN DIRECT GOVERNMENT-GOVERNMENT DEALS, IT COULD EASILY FORCE OIL COMPANIES HERE TO RUN IT IN THEIR

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REFINERIES--PARTICULARLY IF IT WILL HAVE THEM ALREADY ON DEFENSIVE AS RESULT OF BLAMING THEM FOR ANY SUPPLY SHORTFALLS WHICH DO DEVELOP.

COMMENT: MAJOR QUESTION AT THIS MOMENT IS NOT WHETHER GOF IS NEGOTIATING WITH ARABS--WHICH WE PRESUME TO BE SUBSTANTIALLY CORRECT--OR EVEN WHETHER SUCH NEGOTIATIONS WILL BE SUCCESSFUL, BUT WHETHER ANY SUPPLIES OBTAINED BY FRENCH WOULD INCREASE OVER-ALL SUPPLIES OF OIL OR SIMPLY COME OUT OF ALREADY DWINDLING SUPPLY

POOL. IF LATTER IS CASE, AND FRENCH ARE SIMPLY ATTEMPTING TO
SHIFT BURDEN OF OIL SHORTAGES TO OTHER SHOULDERS WE BELIEVE
THEY WILL HAVE MUCH EXPLAINING TO DO TO THEIR EC PARTNERS.IRWIN

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